

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

UBS FINANCIAL SERVICES, INC. and
UBS SECURITIES LLC,

Plaintiffs,

v.

10 CV 4298 (VM)
ECF Case

WEST VIRGINIA UNIVERSITY
HOSPITALS, INC.; UNITED HOSPITAL
CENTER, INC.; WEST VIRGINIA
UNIVERSITY HOSPITALS-EAST, INC.;
CITY HOSPITAL FOUNDATION, INC.;
and WEST VIRGINIA UNITED
HEALTH SYSTEM, INC.,

Defendants.

DECLARATION OF DOUG COFFMAN

Doug Coffman, pursuant to 28 U.S.C. § 1746, declares under penalty of perjury as follows:

1. My name is Doug Coffman. I am Chief Financial Officer of United Health Center, Inc.
2. I have served as Chief Financial Officer of United Health Center, Inc. since June 1999.
3. In that capacity, I participated in numerous telephone calls and in-person meetings during the run-up to bond issuances by West Virginia University Hospitals, Inc. ("WVUH") in 2003, and WVUH and West Virginia University Hospitals-East, Inc. ("WVUHE"), and City Hospital Foundation, Inc. ("CHF") in 2005. Further, I was actively involved in the UHC's 2006 bond issuance as UHC's CFO. UBS acted as Underwriter and Lead Broker/Dealer for each of these issuances.

2003

4. In August 2003, WVUH issued more than \$116 million worth of bonds using the ARS structure with Swap Agreements ("2003 ARS"). The 2003 ARS were issued in three separate series: (a) Series 2003B; (b) Series 2003C; and (c) Series 2003D.

5. In preparation for the 2003 ARS offering, WVUH selected UBS to act as lead underwriter for the bond issuance and to design and execute an optimal structure for the bonds.

6. During the course of structuring the 2003 ARS, WVUH's representatives had regular contact with and received numerous presentations from representatives of UBS on how to structure the Series 2003 bonds.

7. For example, on February 14, 2003, UBS submitted a presentation entitled "Financing Plan Discussion" to WVUH. A copy of this presentation is attached hereto as Exhibit A.

8. Similarly, on June 16, 2003, UBS submitted a presentation entitled "Presentation to Finance Committee" to WVUH. A copy of this presentation is attached hereto as Exhibit B.

9. WVUH also entered into a swap agreement with a UBS affiliate, in which it exchanged a fixed rate payment for a variable rate payment that was expected to approximately equal the variable rate payment owing on the Series 2003B and 2003C Bonds.

10. UBS Financial Services, Inc. ultimately served as the lead underwriter and broker/dealer for the 2003 ARS.

11. In its roles as lead underwriter and broker/dealer in connection with the 2003 ARS, UBS Financial Services, Inc. advised WVUH on the appropriate bond-issuance structure; acted as WVUH's agent in dealing with bond insurers and the rating agencies; bought the bonds and resold them; sold interest rate swaps incident to these bond issuances that supposedly

supported the structure for WVUH; provided continuing advice related to these swaps, including how the swaps should be booked; provided monitoring and advisory services regarding the bonds and the swaps after the issuance; functioned as the main broker-dealer for the auctions; and performed various other tasks as WVUH's advisor, partner, agent, and fiduciary.

12. Ultimately, UBS recommended that WVUH issue a portion of its 2003 bonds as Auction Rate Securities. UBS also recommended that WVUH enter into an interest-rate swap.

2005

13. In January 2005, WVUH, WVUHE, and CHF issued \$60 million worth of bonds using the ARS structure with Swap Agreements ("2005 ARS"). The 2005 ARS were issued in two separate series: (a) Series 2005A; and (b) Series 2005B. [SOC ¶ 47]

14. In connection with the 2005 ARS offering, WVUH, WVUHE, and CHF selected UBS to act as lead underwriter for the bond issuance and to design and execute an optimal structure for the bonds.

15. As with the 2003 ARS, during the structuring the 2005 ARS, representatives of WVUH, WVUHE, and CHF had regular contact with and received numerous presentations from representatives of UBS on how to structure the Series 2005 bonds.

16. Contemporaneously, a swap agreement was entered into (this time, not with a UBS affiliate) in which the issuers of the 2005 ARS exchanged a fixed rate payment for a variable rate payment that was expected to approximately equal the variable rate payment owing on the Series 2005B bonds.

17. UBS Financial Services, Inc. ultimately served as lead underwriter and broker/dealer for the 2005 ARS.

18. In its roles as lead underwriter and broker/dealer in connection with the 2005 ARS, UBS Financial Services, Inc. advised WVUH, WVUHE, and CHF on the appropriate bond-issuance structure; acted as the issuers' agent in dealing with bond insurers and the rating agencies; bought the bonds and resold them; sold interest rate swaps incident to these bond issuances that supposedly supported the structure for the issuers; provided continuing advice related to these swaps, including how the swaps should be booked; provided monitoring and advisory services regarding the bonds and the swaps after the issuance; functioned as the main broker-dealer for the auctions; and performed various other tasks as WVUH's, WVUHE's, and CHF's advisor, partner, agent, and fiduciary.

19. As with the 2003 issuance, ultimately, UBS recommended that WVUH, WVUHE, and CHF issue a portion of its 2005 bonds as Auction Rate Securities.

20. UBS also recommended that WVUH, WVUHE, and CHF enter into an interest-rate swap, although UBS was ultimately outbid and an unaffiliated company served as the swap counter-party.

2006 Bonds

21. In preparation for the 2006 offering, UBS was again retained to act as lead underwriter for the bond issuance and to design and execute an optimal structure for the bonds. UBS Securities, Inc. ultimately served as underwriter and lead broker/dealer for the bonds.

22. During the course of structuring the Series 2006 bonds, UHC's representatives had regular contact with and received numerous presentations from representatives of UBS on how to structure the Series 2006 bonds.

23. For example, on March 22, 2005, UBS submitted a presentation entitled “Overview of Financing Process” to UHC. A copy of this presentation is attached hereto as Exhibit C.

24. The lead broker/dealer for the auctions of the 2006 ARS was UBS Securities, LLC. The swap counter-party for the interest-rate swaps on the Series 2006B and Series 2006C bonds was UBS, AG.

25. As with the earlier 2003 and 2005 bond issuances, in its roles as lead underwriter and broker/dealer for the 2006 ARS, UBS advised UHC on the appropriate bond-issuance structure; acted as UHC’s agent in dealing with bond insurers and the rating agencies; bought the bonds and resold them; sold interest rate swaps incident to these bond issuances that supposedly supported the structure for UHC; provided continuing advice related to these swaps, including how the swaps should be booked; provided monitoring and advisory services regarding the bonds and the swaps after the issuance; functioned as the main broker-dealer for the auctions; and performed various other tasks as UHC’s advisor, partner, agent, and fiduciary.


26. Ultimately, UBS recommended that UHC issue a portion of its 2006 bonds as Auction Rate Securities.

27. UBS also recommended that UHC enter into an interest-rate swap, creating a “synthetic fixed-rate” structure for a portion of the ARS issuance, namely Series 2006B and 2006 C. UBS helped negotiate the terms of the 2006 swap with UBS AG, a UBS-affiliate. In this swap, UHC agreed to pay a fixed-rate payment to UBS AG, in exchange for a variable-rate payment. UBS represented that this variable rate payment was expected to approximately equal the variable rate payment owing on the Series 2006B and 2006C ARS.

28. In June 2006, United Hospital Center, Inc. ("UHC") issued more than \$153 million worth of bonds using the ARS structure with the Swap Agreements that UBS had designed and recommended ("2006 ARS").

I declare under penalty of perjury that the foregoing is true and correct.

Dated: November 19, 2010



Douglas M. Coffman